

NORTHFIELD TOWNSHIP AREA LIBRARY

81-8006

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

| | | | |
|---|---------------------------------|--|----------------------------|
| Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other | | Local Government Name NORTHFIELD TOWNSHIP AREA LIBRARY | County WASHTENAW |
| Audit Date 6/30/04 | Opinion Date 11/20/04 | Date Accountant Report Submitted to State 12/16/04 | |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

| | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations. | ✓ | | |
| Reports on individual federal financial assistance programs (program audits). | | | ✓ |
| Single Audit Reports (ASLGU). | | | ✓ |

Certified Public Accountant (Firm Name)

PFEFFER, HANNIFORD & PALKA, P.C.

Street Address

225 E. GRAND RIVER, STE. 104

City

BRIGHTON

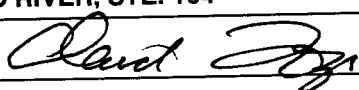
State

MI

ZIP

48116

Accountant Signature



Date

12/16/04

NORTHFIELD TOWNSHIP AREA LIBRARY

LIBRARY DIRECTOR

Ronald Loyd

LIBRARY BOARD

Lisa Lembke
Meg Minnich
Sandra Purrington
Jack Hinkley
Karen Neigebauer
Carol Smith

LIBRARY AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

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Members:
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MACPA

November 20, 2004

Library Board
Northfield Township Area Library
125 Barker Road
Whitmore Lake, Michigan 48189

INDEPENDENT AUDITORS' REPORT

Honorable Library Board:

We have audited the accompanying financial statements of the Northfield Township Area Library as of and for the year ended June 30, 2004. These financial statements are the responsibility of the Library Board. Our responsibility is to express an opinion on these financial statements based on the audit.

We conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Northfield Township Area Library, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year end in conformity with accounting principles generally accepted in the United States of America.

As described in Note 6, the Library has implemented a new financial reporting model as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*, as of June 30, 2004.

The Management's Discussion and Analysis and other required supplementary information on pages 6 - 10 and page 26 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Northfield Township Area Library's basic financial statements. The supplementary information presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, fairly states in all material respects in relation to the basic financial statements as a whole.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

MANAGEMENT DISCUSSION
AND
ANALYSIS

Management Discussion and Analysis June 30, 2004

Within this section of the Northfield Township Area Library's annual financial report, the Library's management is providing a narrative discussion and analysis of the financial activities of the Library for the fiscal year ended June 30, 2004. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Library's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Library's basic financial statements. The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements. The Library also includes in this report additional information to supplement the basic financial statements.

Government-Wide Financial Statements

The Library's annual reports include two government-wide financial statements. These statements provide both long-term and short-term information about the Library's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the government-wide statement of position presenting information that includes all the Library's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Library as a whole is improving or deteriorating. Evaluation of the overall health of the Library may extend to various non-financial factors as well.

The second government-wide statement is the Statement of Activities which reports how the Library's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Library's distinct activities or functions on the revenues generated by the Library.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Library uses funds to ensure and demonstrate compliance with finance-related laws and regulations.

The Library only has one fund, governmental fund. Governmental funds are reported in the financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements except with a different focus on the financial activity. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail its relation to net assets.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of both the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Other supplementary information includes detail by fund for receivables, payables, transfers, and payments within the reporting entity.

Financial Analysis of the Library as a Whole

The Library has implemented the new financial reporting model used in this report beginning with the current fiscal year ended June 30, 2004. Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the Library as a whole.

The Library's net assets at the end of the fiscal year were \$857,986. This is a \$85,538 increase over last year's net assets of \$772,448.

The following tables provide a summary of the Library's financial activities and changes in net assets:

Summary of Net Assets

| | Governmental Activities |
|---|----------------------------|
| Current and other assets | \$ 647,003 |
| Capital assets | <u>306,083</u> |
| Total assets | <u>953,086</u> |
| Current liabilities | <u>95,100</u> |
| Net assets: | |
| Invested in capital assets, net of related debt | 232,155 |
| Unrestricted | <u>625,831</u> |
| Total net assets | <u>\$ 857,986</u> |

Summary of Changes in Net Assets

| | Governmental Activities |
|-------------------------|----------------------------|
| Revenues | |
| Program revenues | \$ 1,450 |
| Operating contributions | |
| General revenues | 387,677 |
| Property taxes | <u>111,271</u> |
| Other | |
| Total revenues | 500,398 |
| Total expenses | <u>414,860</u> |
| Increase in net assets | 85,538 |
| Beginning net assets | <u>772,448</u> |
| Ending net assets | <u>\$ 857,986</u> |

The Library's net assets have increased \$85,538 overall for the year ended June 30, 2004. This is consistent with the Library's financial statements for the last five years.

Financial Analysis of the Library's Funds

On the modified accrual basis the General Fund's fund balance increased by \$65,020 for the year ended June 30, 2004. Amounts are similar to the prior years in which revenues are primarily derived from property taxes, and expenditures are generally for basic Library operations.

General Fund Budgetary Highlights

The Library adopted its budget prior to the beginning of the fiscal year ended June 30, 2004. During the year the budget was amended to reflect changes in estimated revenues and expenditures during the fiscal year.

Amendments made during the year were immaterial in nature, and were primarily due to over/under estimations. The Library did not exceed budgeted appropriations for any expenditures during the fiscal year.

Capital Asset and Debt Administration

The Township spent \$31,657 for leasehold improvements in the current fiscal period. Total depreciation expense allocated to governmental fund activities totaled \$14,353.

Economic Conditions and Future Activities

Given the continued slow recovery of the economy, the Library continues to anticipate steady revenues.

Contracting the Authority's Financial Management

This report is designed to provide a general overview of the Library's financial position and comply with finance-related regulations. If you have any further questions about this report or request additional information please contact the Northfield Area Library, 125 Barker Road, Whitmore Lake, Michigan 48189.

BASIC
FINANCIAL
STATEMENTS

GOVERNMENT - WIDE
FINANCIAL STATEMENTS

NORTHFIELD TOWNSHIP AREA LIBRARY
STATEMENT OF NET ASSETS
JUNE 30, 2004

ASSETS

CURRENT ASSETS

| | |
|---------------------------|--------------|
| Cash and cash equivalents | \$ 609,942 |
| Accounts receivable | 34,605 |
| Prepaid expenses | <u>2,456</u> |

Total current assets

| | |
|--|------------|
| | \$ 647,003 |
|--|------------|

CAPITAL ASSETS

| | |
|---------------------------|---------------|
| Land | 35,200 |
| Building and improvements | 372,644 |
| Equipment | <u>23,482</u> |
| | 431,326 |

Less accumulated depreciation

| | |
|--|------------------|
| | <u>(125,243)</u> |
|--|------------------|

Total capital assets

| | |
|--|----------------|
| | <u>306,083</u> |
|--|----------------|

Total assets

| | |
|--|---------|
| | 953,086 |
|--|---------|

LIABILITIES

LIABILITIES

| | |
|------------------|---------------|
| Account payable | 6,209 |
| Accrued wages | 14,963 |
| Contract payable | <u>73,928</u> |

Total liabilities

| | |
|--|---------------|
| | <u>95,100</u> |
|--|---------------|

NET ASSETS

NET ASSETS

| | |
|---|----------------|
| Invested in capital assets, net of related debt | 232,155 |
| Unrestricted | <u>625,831</u> |

Total net assets

| | |
|--|-------------------|
| | <u>\$ 857,986</u> |
|--|-------------------|

See accompanying notes to the basic financial statements

NORTHFIELD TOWNSHIP AREA LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

| | <u>PROGRAM REVENUES</u> | | <u>Net</u> |
|-------------------------------------|-------------------------|--------------------------------|--------------------------------|
| | <u>Expenses</u> | <u>Operating Contributions</u> | <u>Governmental Activities</u> |
| Governmental activities: Library | \$ <u>(414,860)</u> | \$ <u>1,450</u> | \$ <u>(413,410)</u> |
| General revenues: | | | |
| Taxes, levied for general purpose | | | 387,677 |
| Penal fines | | | 97,259 |
| State aid | | | 10,107 |
| Interest income | | | 2,542 |
| Other income | | | <u>1,363</u> |
| Total general revenues | | | <u>498,948</u> |
| Change in net assets | | | 85,538 |
| Net assets at beginning of year | | | <u>772,448</u> |
| Net assets at end of year | | | <u>\$ 857,986</u> |

See accompanying notes to the basic financial statements.

FUND
FINANCIAL
STATEMENTS

NORTHFIELD TOWNSHIP AREA LIBRARY
BALANCE SHEET
JUNE 30, 2004

ASSETS

CURRENT ASSETS

| | | |
|----------------------|--------------|-------------------|
| Cash | \$ 609,942 | |
| Accounts receivable | 34,605 | |
| Prepaid expenses | <u>2,456</u> | |
| Total current assets | | <u>\$ 647,003</u> |

LIABILITIES AND FUND EQUITY

LIABILITIES

| | | |
|-------------------|---------------|-----------|
| Account payable | \$ 6,209 | |
| Accrued wages | <u>14,963</u> | |
| Total liabilities | | \$ 21,172 |

FUND EQUITY

| | | |
|-----------------------------------|--|-------------------|
| Fund balance | | <u>625,831</u> |
| Undesignated | | |
| Total liabilities and fund equity | | <u>\$ 647,003</u> |

Amounts reported for governmental activities in the Statement of Net Assets are different because:

| | |
|--------------------------------------|------------|
| Total fund balance per balance sheet | \$ 625,831 |
|--------------------------------------|------------|

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.

| | | |
|-------------------------------------|------------------|---------|
| Historical cost | \$ 431,326 | |
| Depreciation | <u>(125,243)</u> | |
| Capital assets, net of depreciation | | 306,083 |

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These include:

| | |
|-------------------|-----------------|
| Contracts payable | <u>(73,928)</u> |
|-------------------|-----------------|

| | |
|---------------------------------------|-------------------|
| Net assets of governmental activities | <u>\$ 857,986</u> |
|---------------------------------------|-------------------|

See accompanying notes to the basic financial statements.

NORTHFIELD TOWNSHIP AREA LIBRARY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR JUNE 30, 2004

| | | |
|--|-----------------|-------------------|
| REVENUES | | \$ 387,677 |
| Property taxes | | 97,259 |
| Penal fines | | 10,107 |
| State library aid | | 2,542 |
| Interest income | | 1,363 |
| Miscellaneous revenue | | 1,450 |
| Donations | | <u>1,450</u> |
| Total revenues | | 500,398 |
| | | <u>435,378</u> |
| EXPENDITURES | | |
| Excess of revenues over expenditures | | 65,020 |
| FUND BALANCE, JULY 1, 2003 | | <u>560,811</u> |
| FUND BALANCE, JUNE 30, 2004 | | <u>\$ 625,831</u> |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Net change in fund balances - governmental funds | | \$ 65,020 |
| Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their useful lives as depreciation expense. The amount by which capital outlays exceeded depreciation is as follows: | | |
| Capital outlay | 31,657 | |
| Depreciation | <u>(14,353)</u> | |
| Total | | 17,304 |
| Repayment of contracts payable is an expenditure in the governmental funds, abut the repayment reduces long-term liabilities in the Statement of Net Asset. | | |
| Repayment of contracts payable | | <u>3,214</u> |
| Change in net assets of governmental activities | | <u>\$ 85,538</u> |

See accompanying notes to the basic financial statements

NOTES
TO
FINANCIAL
STATEMENTS

NORTHFIELD TOWNSHIP AREA LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

Governmental Fund

General Fund - The library accounts for the proceeds of specific revenue sources (special tax millage) through a general fund. It also accounts for the general operations of the library through the general fund.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement NO. 39 "The Financial Reporting Entity", these financial statements present all activities of the Library. There are no component units of the Library using the criteria established by the GASB for determining the reporting entity.

B. BASIC FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of net Assets and Statement of Activities) report on the Library as a whole. All activities are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Library as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The government-wide Statement of Net Assets reports all financial and capital resources of the Library. It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity.

The government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Library are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Also, included as part of the basic financial statements are fund financial statements for governmental funds even though the latter are excluded from the government-wide financial statements.

NORTHFIELD TOWNSHIP AREA LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

1. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, transient occupancy taxes, licenses, fees and permits, intergovernmental revenues (including motor vehicle license fees), charges for services, fines, forfeits and penalties, and interest.
2. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
3. Disbursement for the purchase of capital assets providing future benefits are considered expenditures. Any bond proceeds are reported as another financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available spendable resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Library's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

D. CAPITAL ASSETS

Under GASB Statement No. 34, all capital assets are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

NORTHFIELD TOWNSHIP AREA LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

E. MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. BUDGETS

An annual operating budget on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America is formally adopted for the General Fund. The budget can be amended by approval from the Library's Board. If necessary, budget amendments can be presented to the Board at the regular meetings. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. All annual appropriations lapse at the fiscal year end. Total actual expenditures did not exceed budgeted appropriations for the year ending June 30, 2004.

G. PROPERTY TAXES

Property tax revenues are recognized in the fiscal year for which the taxes are levied. These taxes are due on February 14, with the final collection date of February 28. The delinquent real property taxes of the Northfield Township Area Library are purchased by Washtenaw County. The county sold tax notes, the proceeds of which were used to pay the library for these property taxes. The 2003 adjusted taxable value of the Library totaled \$287,699,270. The Library levied 1.3327 mills in 2003 for general operating purposes.

H. RISK MANAGEMENT

The Library is exposed to various risks of loss pertaining to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for these claims. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage.

NORTHFIELD TOWNSHIP AREA LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 2 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004 was as follows:

| | <u>Balances</u> <u>7-01-03</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balances</u> <u>6-30-04</u> |
|---|-----------------------------------|-------------------|-------------------|-----------------------------------|
| Library - Land and building | \$ 376,187 | \$ 31,657 | \$ | \$ 407,844 |
| Equipment | <u>23,482</u> | <u> </u> | <u> </u> | <u>23,482</u> |
| | 399,669 | 31,657 | | 431,326 |
| Accumulated depreciation | <u>(110,890)</u> | <u>(14,353)</u> | <u> </u> | <u>(125,243)</u> |
| Governmental activities capital asset, net | <u>\$ 288,779</u> | <u>\$ 17,304</u> | <u>\$</u> | <u>\$ 306,083</u> |

Depreciation expense is being recorded solely for library services. The Library utilizes the straight line method to depreciate capital assets over their estimated useful lives.

| | |
|---|-------------------|
| Net book value at June 30, 2004 | \$ 306,083 |
| Contract payable - building | <u>(73,928)</u> |
| Investment in capital assets, net of related debt | <u>\$ 232,155</u> |

NOTE 3 - LEASE AGREEMENTS - (CONTRACT PAYABLE)

Northfield Township - Land Contract - Northfield Township has agreed to not charge the library interest for the outstanding loan of \$77,142. The agreed upon payment schedule is as follows:

| | |
|--|------------------|
| February 22, 2005 | \$ 3,214 |
| February 22, 2006 and for 22 years thereafter (\$3,214 annual payment) | <u>70,714</u> |
| Total payments | <u>\$ 73,928</u> |

NORTHFIELD TOWNSHIP AREA LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 4 - PENSION PLAN - DEFINED CONTRIBUTION PLAN

The Library participates with Northfield Township's defined contribution plan. No separate information could be identified related to library personnel participating in the plan. The defined contribution plan of Northfield Township is a fully insured plan funded by both employer (2/3) and employee (1/3) contributions. An employee may make voluntary contributions of up to 10% of their annual compensation. All participants are vested 100% immediately.

A participant includes all full-time employees as of the beginning of the anniversary date or June 1st of each year. The annual contributions are based on the following formula:

Employer contributes 10% of wages
Employee contributes 5% of wages

Annual contribution
to pension plan 15% of wages

The plan name is "Group Pension Plan" #GN 53402 through Manulife. A summary of the plan's activity for the period July 1, 2003 to June 30, 2004, is as follows:

| | | |
|--|---------------|---------------------|
| Balance in guaranteed account July 1, 2003 | | \$ 1,427,220 |
| Current year contributions | | |
| Township portion | \$ 148,931 | |
| Employee portion | <u>85,968</u> | 234,899 |
| Distributions/fees | | (24,338) |
| Investment gains less asset charges | | <u>272,699</u> |
| Balance in guaranteed account June 30, 2004. | | <u>\$ 1,910,480</u> |

Interest has been credited to June 30, 2004.

A contribution of \$148,931, was made in the fiscal year ended June 30, 2004.

Total payroll was \$2,064,999, for the fiscal year ended June 30, 2004.

NORTHFIELD TOWNSHIP AREA LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 5 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Library to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers; acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Library deposits are in accordance with statutory authority. The Library maintains an imprest petty cash balance of \$300.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Library's deposits are as follows:

| <u>Deposits</u> | <u>Carrying Amount</u> | <u>Bank Balance</u> |
|--------------------------------|----------------------------|-------------------------|
| Insured | \$ 100,000 | \$ 100,000 |
| Uninsured and uncollateralized | <u>509,642</u> | <u>509,942</u> |
| | <u>\$ 609,642</u> | <u>\$ 609,942</u> |

NOTE 6 - IMPLEMENTATION OF GASB STATEMENT NO. 34

The Library has implemented the standards required by GASB Statement No. 34 for the year ended June 30, 2004. All required statements and disclosures have been included in the basic financial statements.

NORTHFIELD TOWNSHIP AREA LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

**NOTE 7 - RECONCILIATION OF FUND FINANCIAL STATEMENTS
TO GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Amounts reported for governmental activities in the Statement of Net Assets are different because:
Total fund balance per balance sheet \$ 625,831

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.

Historical cost

\$ 431,326
(125,243)

Depreciation

Capital assets net of depreciation

306,083

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These include:

Contracts payable

(73,928)

Net assets of governmental activities

\$ 857,986

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - governmental funds

\$ 65,020

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities and cost of those assets is allocated over their useful lives as depreciation expense. The amount by which capital outlays exceeded depreciation is as follows:

Capital outlay

31,657

Depreciation

(14,353)

Total

17,304

Repayment of contracts payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Repayment of contracts payable

3,214

Change in net assets of governmental activities

\$ 85,538

REQUIRED
SUPPLEMENTARY
INFORMATION

NORTHFIELD TOWNSHIP AREA LIBRARY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

| | BUDGET | | Actual | Variance with Final Budget Over (Under) |
|--|------------|------------|------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 391,631 | \$ 391,631 | \$ 387,677 | \$ (3,954) |
| Penal fines | 65,500 | 93,600 | 97,259 | 3,659 |
| Interest | 5,500 | 5,500 | 2,542 | (2,958) |
| Other income | 8,516 | 2,066 | 1,363 | (703) |
| State library aid | 3,000 | 3,400 | 10,107 | 6,707 |
| Contributions | 600 | 1,600 | 1,450 | (150) |
| Total revenues | 474,747 | 497,797 | 500,398 | 2,601 |
| EXPENDITURES | 528,004 | 566,304 | 435,378 | 130,926 |
| Excess of revenues over (under) expenditures | (53,257) | (68,507) | 65,020 | 133,527 |
| FUND BALANCE, JULY 1, 2003 | 560,811 | 560,811 | 560,811 | |
| FUND BALANCE, JUNE 30, 2004 | \$ 507,554 | \$ 492,304 | \$ 625,831 | \$ 133,527 |

SUPPLEMENTARY
INFORMATION

NORTHFIELD TOWNSHIP AREA LIBRARY
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

| | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|---------------------------|-------------------|---|
| EXPENDITURES | | 191,821 | |
| Salaries | | 14,444 | |
| Payroll taxes | | 14,621 | |
| Pension | | 34,794 | |
| Books | | 1,423 | |
| Capital outlay - furniture and equipment | | 4,302 | |
| Capital outlay - automation | | 35,157 | |
| Capital outlay - improvements | | 49,273 | |
| Insurance and bonds | | 3,214 | |
| Loan - principal | | 287 | |
| Mileage | | 3,590 | |
| Miscellaneous | | 2,030 | |
| Office equipment rental | | 21,494 | |
| Office supplies | | 13,322 | |
| Operating services | | 2,321 | |
| Postage | | 1,523 | |
| Printing and publications | | 2,098 | |
| Downtown Development Authority | | 2,698 | |
| Professional services | | 15,768 | |
| Repairs and maintenance | | 10,107 | |
| State aid | | 4,470 | |
| Telephone | | 2,357 | |
| Training | | 4,264 | |
| Utilities | | | |
| Total expenditures | <u>\$ 566,304</u> | <u>\$ 435,378</u> | <u>\$ 130,926</u> |

NORTHFIELD TOWNSHIP AREA LIBRARY

COMMENTS
AND
RECOMMENDATIONS

FOR THE YEAR ENDED JUNE 30, 2004

PFEFFER • HANNIFORD • PALKA
Certified Public Accountants

John M. Pfeffer, C.P.A.
Patrick M. Hanniford, C.P.A.
Kenneth J. Palka, C.P.A.

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November 20, 2004

Library Board
Northfield Township Area Library
125 Barker
Whitmore Lake, Michigan 48189

Honorable Library Board:

In planning and performing our audit of the financial statements of Northfield Township Area Library for the year ended June 30, 2004, we considered its internal controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal controls.

However, during our audit we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. That matter is as follows:

COMMENT

There is a lack of segregation of duties in the cash receipts system.

RECOMMENDATION

The Library should consider the cost/benefit ratio of segregating duties.

This letter does not affect our report dated November 20, 2004, on the financial statements of Northfield Township Area Library.

We will review the status of this comment during our next audit engagement. We have already discussed this with various library personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.

This report is intended solely for the information and use of the Library Board, and management of the Northfield Township Area Library and is not intended and should not be used by any other party.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants